



Impact of the Federal Governments Proposal to Private Companies

On July 18, 2017 the Federal Government released their consultation paper proposing changes to current tax laws relating to Private Corporations. The proposed changes will have a significant impact to nearly all private corporations and focuses on three main areas:

1. Income splitting with family members to reduce the overall family tax burden. This is generally achieved by issuing dividends to a spouse or child who has lower personal income to maximise the use of the lower personal tax rates. The proposed changes would limit the ability to distribute discretionary dividends to non-active shareholders by taxing these dividends at the highest marginal tax rate. The proposal suggests the use of a reasonableness test for dividends based on asset and labour contributions to the business by the individual.

2. Perceived tax advantages achieved through the accumulation of a passive investment portfolio owned by a personal corporation. The current tax system is designed so that if funds from the corporation are fully distributed to the individual shareholder, the overall tax paid by the corporation and the individual is the same as if fully earned by the individual. Current practice provides the opportunity to defer high personal tax rates by retaining additional income in the corporation and investing this amount inside the corporation. The proposal is to eliminate the benefit of this deferral by eliminating the refundable portion of taxes paid on investment income to a non-refundable tax which will result in a combined tax rate of approximately 71% on investment income earned in a corporation taxed at the small business rate.

3. Life time capital gains restrictions – currently the life time capital gains exemption is available to all taxpayers on the disposition of shares of a qualifying business. Current structures are set up to maximise the capital gains exemption by allocating gains to family members who are shareholders or beneficiaries of a trust. The proposed changes would eliminate the capital gains exemption to individuals under the age of 18, eliminate gains realized or accrued by a family trust even if the property is rolled out to the beneficiaries, and would introduce a reasonableness test to the amount of the gain that has accrued based on a provision of labour or capital provided by an individual to the business.

The above is a very brief summary of the proposed changes and there are other proposals not mentioned. These changes will result in significantly more taxes being paid by private companies and their shareholders. The Government is accepting comments on the proposal by October 2, 2017. Please contact your DMC advisor to help you determine the impact the proposal may have on your private company.

10 Books Every Small Business Owner Should Read

There are thousands of great business books out there that can help you start a business, set and achieve goals, promote your business, manage your finances and so much more. In fact, there are so many business books on the shelves that it can be overwhelming to determine which are worth reading.

Here is a list of 10 inspiring and actionable business books that provide you, or the small business owner on your gift list, with advice, insight, tips and resources for a boost to business success.

1 Good to Great: Why Some Companies Make the Leap, & Others Don't by Jim Collins

Can good companies, mediocre companies, or even bad companies achieve enduring greatness? That is the question Jim Collins answers in this book. He shares his extensive research that reveals what it is that makes top companies tick.

2 Profit Yourself Healthy by Dave Fuller

In order for you to live your dreams, your business needs to make a profit. Profitable businesses are less stressful for owners like you and, as a result, you will have more. Getting your business profitable and keeping it that way is the aim of many business owners. You will get your business working to reduce your stress and take you to another level.

3 Think And Grow Rich by Napoleon Hill

As one of the best-selling self-help books of all time, first written in 1937, Napoleon Hill continues challenge readers to improve their lives -- and their businesses -- through positive thinking. It's a "success" classic, and a must-read for all entrepreneurs.

4 The E-Myth Revisited by Michael Gerber

In this book, Michael Gerber dispels the myths surrounding starting your own business by walking you through the steps in the life of a business. This book will help you grow your business in a predictable and productive way.

5 The Tipping Point by Malcolm Gladwell

Malcolm Gladwell explores tipping points -- the exact moment an idea, trend, or social behavior crosses a threshold, tips, and spreads like wildfire -- and how they can change the way business owners should think about selling products.

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What's New at DMC...

DMC currently has four Chartered Professional Accountant articling students on study leave preparing for their final Common Final Examination (CFE). This is the final step in the CPA graduate level educational program, along with their 30 – month practical experience requirement. Once completed, they will receive their Chartered Professional Accounting designation.

Please join us in wishing them all the best on their exams starting on September 13 through to September 15th.



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6 The 7 Habits of Highly Effective People by Stephen R. Covey
If you are exploring personal change and are interested in a holistic approach to solving personal and professional problems, this book should make it on your list. In the book, Stephen Covey reveals a step-by-step pathway for living with fairness, integrity, honesty, and human dignity.

7 How to Win Friends & Influence People by Dale Carnegie
Good relationships are the foundation of a successful business, and that's what makes this book a great read for small business owners. You'll learn techniques for enhancing both professional and personal relationships while increasing your self-esteem.

8 Delivering Happiness: A Path to Profits, Passion, and Purpose by Tony Hsieh

In this book, Zappos CEO Tony Hsieh shares the different lessons he has learned in business and life, from starting a worm farm to running a pizza business, through LinkExchange, Zappos, and more. It's an interesting, relevant and inspiring book for all entrepreneurs.

9 Steve Jobs by Walter Isaacson

This book is based on more than forty interviews conducted with legendary entrepreneur Steve Jobs over two years -- as well as interviews with more than a hundred family members, friends, adversaries, competitors, and colleagues. There are lessons to be learned on every page.

10 Getting Things Done: The Art of Stress-Free Productivity by David Allen

Small business owners know better than anyone how hard it can be to find and maintain high levels of productivity. In this book, David Allen shares the secret to increasing productivity: being able to relax. And he outlines a system that will help you achieve it.

Reference: <https://www.thebalance.com/books-for-small-business-owners-2951373>

3 Reasons Why Business Owners Should Go Back To School

As an entrepreneur, there is no substitute for the experience you get working day-in and day-out to run your business. However, an increasingly tech-centric economy is encouraging business owners to get back into the classroom to update their skills and bring their companies to the next level.

And why not? With a rapidly changing educational landscape, it's never been easier for working professionals to go back to school—although “school” may look very different from the hallowed halls you remember.

More adult learners are opting out of the traditional higher ed. experience to enroll in for-profit institutions like tech boot camps or massive open online courses (MOOCs). Not only are these alternatives more affordable, but they also take a more pragmatic, real-time, and self-paced approach to learning—tailored to an entrepreneur's busy lifestyle.

Whether you are seeking the immediate return of learning how to build a website or seeking long-term solutions to jump-start your business, here are three reasons why continuing your education may be right for you.

1. Stay engaged with an ever-changing business landscape.

We've all met them— that boss who doesn't know how to use the printer or refuses to send an email. No matter how intelligent or effective these individuals might be, employees and clients are bound to become frustrated with a business leader who doesn't have basic technical competencies. Don't be that guy (or gal) who views technical advances as a threat. Times are a-changin' whether or not you're on board. As a business owner, it's your responsibility to use the latest and most effective technology and tactics to run your company. Refusing to stay up-to-date puts you and your business at risk of becoming outdated or ineffective. Old habits die hard, but so will your business if you don't keep up with industry advances.

2. Fill gaps in your background and experiences.

Try as you might, it's impossible to know everything. Even the most experienced business owners have knowledge gaps in areas like sales or finance. Getting an honest appraisal of your strengths and weaknesses can help you understand areas for improvement, and taking a class will help you fill these gaps sooner rather than later. Not only will you gain a better understanding of your business as a whole, but you'll be able to spot redundancies or inefficiencies that pose a threat.

3. Diversify and grow your business.

Whether you're looking to shift your business model, introduce a new product or service, or make an important new hire—there's no need to fly blind. Taking a class can give you the expertise you need to make key business decisions and lead your company to success.

Learning as an entrepreneur will help you stay up-to-date with changes in your industry, fill the gaps on your resume, and inform important decisions that can make or break your business. Not to mention that learning something new is a great way to network with other business owners. With so many education options suitable for a busy schedule, continuing your education has never been more accessible to an entrepreneur.

Reference: <https://www.fundera.com/blog/3-reasons-why-business-owners-should-go-back-to-school>

